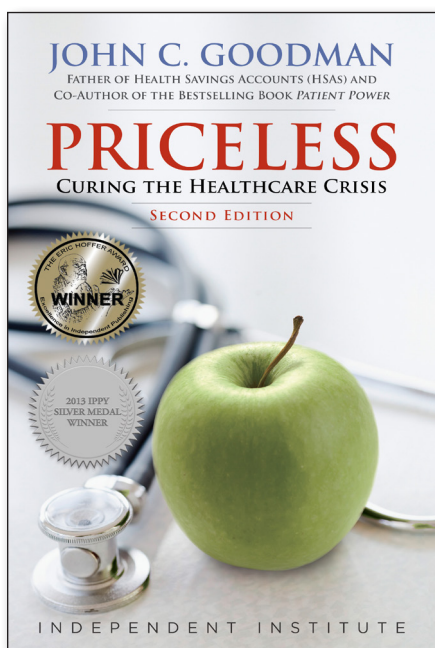


Priceless

Curing the Healthcare Crisis

SECOND EDITION

BY JOHN C. GOODMAN



440 Pages

6 x 9 inches | Index

Hardcover: \$28.95

ISBN: 978-1-59813-395-0

Published: September 2024

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Book Highlights

- **Since the first edition of this book was published, the Affordable Care Act (Obamacare) has transformed the American healthcare system—and not for the better.** Obamacare advocates promised not only to eliminate money as a barrier to healthcare access, but also to reform completely the practice of medicine itself. A decade has now passed, and the results are in. Healthcare has *not* become more affordable; high-quality care has *not* become more accessible; healthcare delivery has *not* become more efficient; and no, we're *not* getting more healthcare. Nor are we getting healthier. Options for patients with preexisting conditions, for example, are worse than ever. How did all this happen? In this book, John C. Goodman explains why the rosy political promises of pro-Obamacare politicians fell flat.
- **As it stands, everyone is trapped—not only patients, but also doctors, businesses, and medical institutions. *Everyone* is trapped in a web of perverse incentives that raise costs, reduce quality, and make care less accessible.** Why is that? Our third-party-payer health insurance system still has the prices for care set by entities *external* to the doctor-patient relationship—with the most external of all possible parties, the government, now playing the leading role in the obfuscation. This lack of price competition inevitably leads to almost-zero transparency, no competition around quality, and the often radical price differences between providers we have today.
- **Traps have consequences.** It's not that patients, doctors, nurses, hospital administrators, employees, employers, and even insurance companies do not know how to deliver good healthcare to Americans. And there are many things healthcare professionals could do to avoid waste, increase accessibility, and make care less expensive. But the system we have penalizes doing the right things and rewards doing the wrong things. Doctors are said to have too much freedom to provide treatments that are not “best practice” or “evidence-based”; patients are said to have too much freedom to patronize doctors and facilities they prefer. Therefore, pundits and wonks argue that *government* must tell doctors how to practice medicine and tell patients what care they can have and where they can get it. This is the opposite of what needs to be done, and Goodman explains why.
- **Goodman offers solutions.** How can we create centers of medical excellence designed actually to *treat* Americans—not exclude them, as is the current practice? How could the market for medical care be as efficient and consumer-friendly as, say, the market for cell phone repair? How can patients save money? How can doctors get even better at what they do—and make more money? Are these things even possible, when our current system is so broken? *Yes*, says Goodman.
- **There is a way to get people *and* government out of the trap.** That we need a new way of thinking is obvious. The good news is that there are literally *thousands* of healthcare entrepreneurs, any one of whom could rise to the level of Bill Gates or Steve Jobs in healthcare. Unfortunately, their efforts tend to be scattered and

limited. Most of the time, they run into three major barriers: insurance companies, employers, and government. But despite these odds, new products and new services have continued to crop up to meet the needs of patients spending their own money. Goodman lists many hopeful examples that show how his ideas have already taken hold and, if not stifled by government regulation, could help more patients. Each initiative, however, was developed by the *private sector*. Liberated from legal impediments and suffocating bureaucracies, doctors, patients, hospital personnel, and profit-seeking entrepreneurs are perfectly capable of solving our most serious health policy problems. All they need is the freedom.

Synopsis

In this long-awaited **second edition** of his groundbreaking work *Priceless: Curing the Healthcare Crisis*, renowned healthcare economist **John Goodman** (the “father” of Health Savings Accounts) analyzes America’s ongoing healthcare fiasco—including,

for this edition, the extra damage Obamacare has inflicted on America’s medical system. Goodman then provides what many critics of our healthcare system neglect: *solutions*.

Using research data and real-world examples, Goodman shows how empowering patients (by giving them control of their own healthcare dollars), liberating institutions (by repealing “race to the bottom” government policies), and designing new health insurance models (ones that, quite simply, allow *patients* to control demand and *doctors* to control supply) can change American life forever. If you read only one book on healthcare, this—again—is the one to read.

What Obamacare Has Done

The second edition of *Priceless* describes the damage Obamacare has wrought upon American healthcare. Goodman’s preface reminds readers of all those promises, implicit and explicit, made when Obamacare was first getting off the ground.

But in the ten years that have passed, *none* of these promises has been kept. Healthcare has not become more affordable. High-quality care has not become more accessible. Healthcare delivery has not become more efficient. No one is getting more healthcare. Emergency room traffic has increased, and waiting for care has become more and more common. Patients with preexisting conditions are worse off than ever before. To top it all off, Medicaid has drastically expanded. All this to the tune of billions of dollars. Goodman argues that these failures were almost entirely predictable to those with any economic sense.

Trapped

Goodman’s book is written from the premise that most healthcare problems arise because Americans are trapped.

The most sinister trap of them all—indeed, the one that inspired the title of this book—is the trap of obsessively focusing on the burdens of *price barriers* to care. On the surface, this is an intelligible and sympathetic concern. But it fails to consider that “nonprice barriers to care” can also be very costly—even more so. Goodman cites Britain’s National Health Service (NHS) as an example. It’s true that citizens in Great Britain have no price barriers to care *on paper*. But today, a record high of seven million people relying on the NHS are waiting for treatment ... a rate *186 times higher* than before the pandemic. Many of those people are waiting in pain. Some will die before they get care. Goodman compellingly argues that “the cost of such waiting for many of them is undoubtedly greater than the cost (to the government) of their treatments.” As they say, time is money.

There are other traps that Goodman describes and condemns in detail, many of which are the fault of the overbearing government. Simply repealing many of these policies would liberate a great number of Americans. For example, most working-age Americans rely on employer-sponsored health insurance. But why do we cling to this health insurance model when it’s so clearly outdated? Because federal tax law generously subsidizes employer-provided insurance. It was only recently, after President Trump issued an executive order, that employers were enabled to deposit funds in employee accounts called Health

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Reimbursement Arrangements (HRAs), from which employees can pay premiums, tax-free, for coverage they obtain in the individual health insurance market. This is undoubtedly an improvement. However, even this order limits HRA deposits to be used only to buy Obamacare-compliant insurance. The heavy hand of the government blocks patients, doctors, and employers from doing what's best for them at every turn.

Freeing Patients and Institutions from the Trap

That doctors and hospitals need to find better ways of providing care is obvious. But how? Could it be that there is a way for doctors and hospitals to save taxpayers money, make more money for themselves, and ensure that patients don't suffer?

Actually, Goodman argues, *yes*. There is a way. Markets. A free market for health insurance, where people are free to make their own choices, combined with Health Savings Accounts (where patients control demand) and "centers of excellence" (where doctors, not government, control supply), is the vision Goodman casts in *Priceless*.

The truth is, employers, government bodies, and insurance companies will never care more about patients than *patients* care about patients. By this logic, empowering patients to control their own healthcare dollars and make their own decisions is obviously a better way to control prices and improve healthcare than leaving impersonal bureaucracies with their hands on the wheel (as is the case now).

Many politicians and pundits complain that too many people are underinsured. In fact, Goodman argues, the *opposite* is true: "a far greater number are overinsured. That is, too many people are paying insurance companies to pay medical expenses that they could more economically pay themselves." A shocking number of Americans would be better off assuming risks themselves. In this way, HSAs and HRAs are

essential tools to liberate patients.

Better still, "when patients are paying for their care with their own money, providers are free to be unrestricted agents of their patients, rather than agents of a third-party-payer bureaucracy." Without the heavy hand of government involved, doctors can hone and develop their relative centers of excellence to become the best at what they do.

An example of a "center of excellence" would be the Mayo Clinic. Another example would be the Johns Hopkins Breast Center, which focuses on mastectomies. It's time to expand this model—and for government to get out of the way.

Designing Health Insurance Anew

There are three features of ideal health insurance that any new design must incorporate. First, insurance must be *patient-centered*. This is for reasons already discussed: no one cares more about health insurance dollars than the patient to whom those dollars belong.

Second, ideal health insurance must allow insurers to specialize in the business of insurance—not transform insurers into providers of care essentially. Insurers should be free simply to do what they do best: "pricing and managing risk." The market, of course, can and should still combine insurance and healthcare delivery when and where it makes sense. But as a rule of thumb, we should prevent insurance companies from embroiling themselves in the business of healthcare, which is (by definition) *not* their business.

Third, consumers need better access to more information. What makes this difficult, in almost all cases, is the heavy hand of government. By getting government out of healthcare, everyone has access to the information they need to make the best choice for them.

Principles for a New Healthcare Order

There are key principles that should govern the purchase of any healthcare plan. For instance: First, patients should pay a price for care equal to its marginal social cost. As it stands, doctors and hospitals are rarely paid real prices for the services they render. Instead, they are paid on the basis of "payment formulas." This becomes complicated when each payer has a different formula. Medicare, Medicaid, Blue Cross, etc., all pay different prices for the same service. "As a result, there really is no *market-clearing price* that brings supply and demand together," Goodman writes.

The second principle follows from this logic: providers ought to receive a price equal to the marginal social value their care creates. If providers also receive a fee less than the value of the service, they will underprovide that service; if they receive a fee higher than the value of the service, they will overprovide that service.

The third principle is that, wherever possible, these prices should be determined in competitive markets. Competitive markets are key to finding out the real worth of services and products. Without a competitive market, the actual social cost and social value of healthcare would be unknown.

Fourth, insurance should be individually owned and portable—i.e., able to travel with people from job to job and in and out of the labor market. Clinging to an employer-sponsored insurance model in an era when precious few Americans can expect to stay with any one employer for long stretches of time is antiquated and foolish. It's time to get with the twenty-first century.

Fifth, people should be able to switch freely between individual self-insurance and third-party insurance based on their preferences and market opportunities. Right now, tax law subsidizes third-party insurance and severely penalizes individual self-insurance. Unsurprisingly, this means most

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people opt for third-party insurance, which means that third-party bureaucracies pay every medical bill ... even when it would save patients and doctors time and money for patients to manage these expenses themselves.

Impersonal bureaucracies, shielded from marketplace competition, have run

American healthcare into the ground for far too long. The best time for sensible, workable solutions to our healthcare crisis would have been *yesterday*. The second-best time is today. With uncommon clarity, humanity, and optimism, Goodman fearlessly explains how we can liberate our health from the confinement of bureaucracies and

heavy-handed legal impediments; how doctors, patients, hospital personnel, and profit-seeking entrepreneurs can come to the rescue and solve our most pressing problems; and how *freedom* can unlock the horrible traps we've let ourselves lie in for far too long.

Praise for *PRICELESS*

“John Goodman’s *Priceless* is a must-read, and accessible, guide to understanding what is needed for real reform in healthcare. It cuts right to the heart of the dilemma in healthcare—the absence of a meaningful price system—to suggest why the Affordable Care Act failed to curb the cost and access problems we face and explains how even ‘priceless’ goods benefit from markets.”

—**BOBBI HERZBERG**, distinguished senior fellow, F.A. Hayek Program for Advanced Study in Philosophy, Politics, and Economics, Mercatus Center at George Mason University

“The second edition of *Priceless* stands as the single best introduction to American healthcare, regardless of whether one agrees or disagrees with John Goodman’s philosophy.”

—**ROBERT F. GRABOYES**, economic consultant and publisher of *Bastiat’s Window*, Substack

About the Author



One of the nation’s leading thinkers on health policy, **John C. Goodman** is president and CEO of the Goodman Institute and senior fellow at Independent Institute. The *Wall Street Journal* calls Dr. Goodman “the father of Health Savings Accounts.” He is the author of sixteen books, including *New Way to Care: Social Protections That Put Families First*; *A Better Choice: Healthcare Solutions for America*; and *Patient Power: Solving America’s Health Care Crisis* (with Gerald Musgrave). He has authored numerous editorials in the *Wall Street Journal*, *USA Today*, *Investor’s Business Daily*, and many others. He regularly briefs members of Congress on economic policy and testifies before congressional committees. Dr. Goodman received a PhD in economics from Columbia University and has taught and done research at Columbia University, Stanford University, Dartmouth University, Southern Methodist University, and the University of Dallas.



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